

Subpart A—General Information

§ 359.0 What does this part cover?

This part is the offering of United States Savings Bonds of Series I (referred to as Series I bonds or bonds) for sale to the people of the United States by the Secretary of the Treasury (Secretary). This offer was effective September 1, 1998, and will continue until terminated by the Secretary.

§ 359.1 What regulations govern Series I savings bonds?

(a) The regulations in 31 CFR part 360 apply to definitive (paper) Series I savings bonds that have not been converted to book-entry bonds through New Treasury Direct.

(b) The regulations in 31 CFR part 363 apply to:

(1) book-entry Series I savings bonds that were originally issued as book-entry bonds in New Treasury Direct; and

(2) definitive Series I savings bonds that have been converted to book-entry bonds through New Treasury Direct.

(c) We expressly disclaim any representations or warranties regarding Series I savings bonds that in any way conflict with these regulations and other applicable law.

[67 FR 64278, Oct. 17, 2002, as amended at 70 FR 14942, Mar. 23, 2005]

§ 359.2 [Reserved]

§ 359.3 What special terms do I need to know to understand this part?

Accrual date is the first day of any month on which earnings on a Series I bond accrue. The redemption value of a bond does not change between these accrual dates.

Automated Clearing House (ACH) means a funds transfer system governed by the Rules of the National Automated Clearing House Association (NACHA). NACHA provides for the interbank clearing of electronic entries for participating financial institutions.

Bank account means your account at a United States depository financial institution (whether a bank or other financial institution) to which you have directed that ACH debits and payments be made.

Beneficiary refers to the second individual named in the registration of a security held in definitive form registered “John Doe SSN 123-45-6789 POD (payable on death to) Joseph Doe.” In the New Treasury Direct system, beneficiary refers to the second individual named in the registration of a security registered “John Doe SSN 123-45-6789 POD (payable on death to) Joseph Doe SSN 987-65-4321.” In these examples, Joseph Doe is the beneficiary.

Book-entry bond means a Series I savings bonds maintained by Treasury solely as a computer record.

Composite annual rate means an annual interest rate that combines an annual fixed rate of return and a semi-annual inflation rate.

Converted bond means a savings bond originally issued as a definitive bond that has been surrendered to us and converted to a book-entry savings bond to be maintained by Treasury solely as a computer record.

Coowner means either the first or the second individual named in the registration of a definitive Series I savings bonds registered “John Doe SSN 123-45-6789 or Joseph Doe.” In this example, John Doe and Joseph Doe are coowners.

CPI-U, or U.S. City Average All Items Consumer Price Index for All Urban Consumers (non seasonally adjusted) is a monthly index of the prices paid by consumers for consumer goods and services, maintained by the Bureau of Labor Statistics of the U.S. Department of Labor.

Definitive bond means a Series I savings bonds issued in paper form.

Deflation means a decrease in the CPI-U from one month to another.

Face amount refers to the amount inscribed on the front of a definitive Series I savings bonds.

Fiduciary means the court-appointed or otherwise qualified person, regardless of title, who is legally authorized to act for another.

Fixed rate or fixed rate of return is a component of the composite annual rate for a Series I savings bonds that is established by the Secretary of the Treasury for the life of the bond.

Individual means a natural person. Individual does not mean an organization, representative, or fiduciary.

Inflation means an increase in the CPI-U from one month to another.

Inscription means the information that is printed on the face of the bond.

Interest, as used in this part, is the difference between the principal amount and the redemption value of the bond.

Issue date is the first day of the month in which an authorized issuing agent receives payment of the issue price of the bond.

Issuing agent means an organization that has been qualified under part 317.

New Treasury Direct system (New Treasury Direct) is an online account system in which you may hold and conduct transactions in eligible book-entry Treasury securities.

Owner is either a single owner, the first individual named in the registration of a bond held in the owner with beneficiary form of registration, or the primary owner of a book-entry bond held in the primary owner with secondary owner form of registration.

Par means the principal amount of a Series I savings bond; for definitive bonds, par is the same as the face amount.

Paying agent means a financial institution that has been qualified under part 321.

Person means an entity including an individual, trust, estate, corporation, government entity, association, partnership, and any other similar organization. Person does not mean a Federal Reserve Bank.

Primary owner means the first individual named in the registration of a book-entry bond held in New Treasury Direct registered “John Doe SSN 123-45-6789 with Joseph Doe SSN 987-65-4321.” In this example, John Doe is the primary owner.

Principal amount means the amount of the original investment. Principal amount does not include any interest earned.

Redemption of a book-entry Series I savings bonds refers to payment of principal and accrued interest on the bond at final maturity, or, at the option of the owner, prior to final maturity. The owner of a book-entry savings bonds held in New Treasury Direct may redeem all principal and interest or a

portion of the principal and the proportionate amount of interest.

Redemption of a definitive Series I savings bonds refers to the payment of principal and accrued interest when the owner presents the bond for payment.

Redemption value means principal plus accrued interest of a Series I savings bonds, as of the date of redemption. In the case of book-entry Series I savings bonds, it also refers to a portion of the principal amount plus a proportionate amount of accrued interest of a bond, as of the date of redemption.

Registration means that the names of all persons named on the bond and the taxpayer identification number (TIN) of the owner, first-named coowner, or purchaser of a gift bond are maintained on our records.

Registration of a book-entry Series I savings bonds means that the name and Taxpayer Identification Number (TIN) of all registrants are maintained on our records for a book-entry bond.

Registration of a definitive Series I savings bonds means that the name and TIN of the owner or first-named coowner are inscribed on the face of the bond.

Secondary owner means the second individual named in the registration of a book-entry bond held in New Treasury Direct registered “John Doe SSN 123-45-6789 with Joseph Doe SSN 987-65-4321.” In this example, Joseph Doe is the secondary owner.

Semiannual inflation rate means a component of the composite annual rate that is based on the six-month percentage change in the CPI-U.

Semiannual rate periods are the six-month periods beginning on the date of issue and on each semiannual anniversary of the date of issue to maturity.

Series I savings bond means a savings bonds, whether definitive or book-entry, that is purchased at par and pays interest based on a formula that incorporates both an annual fixed rate and a semiannual inflation rate.

Single owner means the person named in the registration of a savings bonds without a coowner, beneficiary or secondary owner.

Taxpayer identification number (TIN) means the identifying number required on tax returns and other documents

§ 359.4

submitted to the Internal Revenue Service; that is, an individual's social security account number (SSN) or an employer identification number (EIN). A SSN is composed of nine digits separated by two hyphens, for example, 123-45-6789. An EIN is composed of nine digits separated by one hyphen, for example, 12-3456789. The hyphens are an essential part of the numbers.

We, us, or our refers to the agency, the Bureau of the Public Debt. The term extends to the Secretary of the Treasury and the Secretary's delegates at the Treasury Department and Bureau of the Public Debt. The term also extends to any fiscal or financial agent we designate to act on behalf of the United States.

You or your refers to an owner of a Series I savings bonds.

[67 FR 64278, Oct. 17, 2002, as amended at 70 FR 14942, Mar. 23, 2005; 71 FR 46857, Aug. 15, 2006]

§ 359.4 In what form are Series I savings bonds issued?

Series I savings bonds are issued in either book-entry or definitive form.

§ 359.5 What is the maturity period of a Series I savings bonds?

Series I savings bonds have a total maturity period of 30 years from the issue date, consisting of an original maturity period of 20 years and an extension period of 10 years.

§ 359.6 When may I redeem my Series I bond?

(a) *Bonds issued on December 1, 2002, or earlier.* You may redeem your Series I savings bond issued on January 1, 2003, or earlier, at any time after six months from its issue date.

(b) Bonds issued on February 1, 2003, or thereafter. You may redeem your Series I savings bond issued on February 1, 2003, or thereafter, at any time after 12 months from its issue date.

[68 FR 2667, Jan. 17, 2003, as amended at 68 FR 7427, Feb. 14, 2003]

§ 359.7 If I redeem a Series I savings bonds before five years after the issue date, is there an interest penalty?

If you redeem a bond less than five years after the issue date, we will re-

31 CFR Ch. II (7-1-10 Edition)

duce the overall earning period by three months. For example, if you redeem a bond issued January 1, 2002, nine months later on October 1, 2002, the redemption value will be determined by applying the value calculation procedures and composite rate for that bond as if the redemption date were three months earlier (July 1, 2002). However, we will not reduce the redemption value of a bond subject to the three-month interest penalty below the issue price (par). This penalty does not apply to bonds redeemed five years or more after the issue date.

§ 359.8 How does interest accrue on Series I savings bonds?

A bond accrues interest based on both a fixed rate of return and a semiannual inflation rate. A single, annual rate called the composite rate reflects the combined effects of the fixed rate and the semiannual inflation rate. For more information, see appendix B of part 359.

§ 359.9 When are interest rates for Series I savings bonds announced?

(a) The Secretary will furnish fixed rates, semiannual inflation rates, and composite rates for Series I savings bonds in announcements published each May 1 and November 1.

(b) If the regularly scheduled date for the announcement is a day when the Treasury is not open for business, then the Secretary will make the announcement on the next business day. However, the effective date of the rates remains the first day of the month of the announcement.

(c) The Secretary may announce rates at any other time.

§ 359.10 What is the fixed rate of return?

The Secretary, or the Secretary's designee, determines the fixed rate of return. The fixed rate is established for the life of the bond. The fixed rate will always be greater than or equal to 0.00%.¹ The most recently announced

¹However, the fixed rate is not a guaranteed minimum rate. The composite rate is composed of both the fixed rate and a semiannual inflation rate, which could possibly be less than the fixed rate or negative in deflationary situations. In all cases, however,